

26 CFR 601.201: Ruling and determination letters
(Also: Part I, sections 25, 103, 143, 1.25-3T, 1.103-1, 6a.103-2)

Rev. Proc. 2003-81

SECTION 1. PURPOSE

This revenue procedure supplements Rev. Proc. 2003-49, 2003-29 I.R.B. 89, and provides issuers of qualified mortgage bonds, as defined in § 143(a) of the Internal Revenue Code, and issuers of mortgage credit certificates, as defined in § 25(c) with a list of qualified census tracts for the Northern Mariana Islands, American Samoa, and Guam.

SECTION 2. BACKGROUND

.01 Section 103(a) provides that, except as provided in § 103(b), gross income does not include interest on any State or local bond. Section 103(b)(1) provides that § 103(a) shall not apply to any private activity bond that is not a “qualified bond” within the meaning of § 141. Section 141(e) provides that the term “qualified bond” includes any private activity bond if that bond: (1) is a qualified mortgage bond; (2) meets the volume cap requirements under § 146; and (3) meets the applicable requirements under § 147.

.02 Section 143(a)(1) provides that the term “qualified mortgage bond” means a bond that is issued as part of a “qualified mortgage issue”. Section 143(a)(2)(A) provides that the term “qualified mortgage issue” means an issue by a state or political subdivision thereof of one or more bonds, but only if (i) all proceeds of the issue (exclusive of issuance costs and a reasonably required reserve) are to be used to

finance owner-occupied residences; (ii) the issue meets the requirements of subsections (c), (d), (e), (f), (g), (h), (i) and (m)(7) of § 143; (iii) the issue does not meet the private business tests of paragraphs (1) and (2) of § 141(b); and (iv) with respect to amounts received more than 10 years after the date of issuance, repayments of \$250,000 or more of principal on financing provided by the issue are used not later than the close of the first semi-annual period beginning after the date the prepayment (or complete repayment) is received to redeem bonds that are part of the issue.

.03 An issue of bonds meets the requirements of § 143(h)(1) only if at least 20 percent of the proceeds of the issue is made available for owner financing of “targeted area residences” for at least 1 year after the date on which owner-financing is first made available with respect to targeted area residences. Section 143(h)(2) provides, however, that the amount made available need not exceed 40 percent of the average annual aggregate principal amount of mortgages executed during the immediately preceding 3 calendar years for single-family, owner-occupied residences located in targeted areas within the jurisdiction of the issuing authority.

.04 Targeted area residences are defined in § 143(j)(1)(A) to include residences in a qualified census tract. A “qualified census tract”, according to § 143(j)(2)(A), is a census tract in which 70 percent or more of the families have income that is 80 percent or less of the statewide median family income. Section 143(j)(2)(B) provides that the determination that a census tract is a “qualified census tract” must be based on the most recent decennial census for which data are available.

.05 Section 6a.103A-2(b)(4)(ii) of the Temporary Income Tax Regulations provides that, with respect to any particular bond issue, the determination that a census

tract is a “qualified census tract” may be based upon the decennial census data available 3 months prior to the date of issuance and shall not be affected by official changes to the data during or after that 3-month period.

.06 Section 143(k)(2)(A) of the Code provides that the term “statistical area” means (i) a metropolitan statistical area (“MSA”) and (ii) any county (or the portion thereof) that is not within an MSA.

.07 An MSA is currently defined as an area containing at least one urbanized area with a population of at least 50,000, plus adjacent territory having a high degree of social and economic integration with the core as measured through commuting ties. See Office of Management and Budget (“OMB”), Standards for Defining Metropolitan and Micropolitan Statistical Areas; Notice, 65 FR 249 (December 27, 2000); OMB Bulletin No. 03-04 (June 6, 2003).

.08 A state or local government may elect to exchange all or part of its qualified mortgage bond authority to issue mortgage credit certificates. Section 25(a)(1) states, in general, that the recipient of a mortgage credit certificate may claim a federal income tax credit equal to the product of the certificate credit rate and the interest paid or accrued during the tax year on the remaining principal of the certified indebtedness amount. Section 25(c)(2)(A)(iii)(V) of the Code provides that the indebtedness certified by mortgage credit certificates must meet the requirements of § 143(h) concerning the portion of loans to be placed in targeted areas.

.09 The list of qualified census tracts is developed by the Department of Housing and Urban Development (“HUD”) for publication by the Internal Revenue Service. HUD’s determination is based upon decennial census data received by HUD from the

Bureau of the Census.

.10 Qualified census tracts for the states, the District of Columbia, and Puerto Rico, based on the 2000 census, were most recently published in Rev. Proc. 2003-49, 2003-29 I.R.B. 89. Qualified census tracts for the Northern Mariana Islands, American Samoa, and Guam have not been published in any previous revenue procedure.

SECTION 3. APPLICATION

The qualified census tracts for the Northern Mariana Islands, American Samoa, and Guam as listed below are based on the 2000 census. In 2000, the Bureau of the Census provided data for all areas, not only MSAs. Thus, the list of qualified census tracts includes tracts in Block Numbering Areas in nonmetropolitan counties as well as tracts in MSAs.

County or Equivalent	Qualified Census Tracts			
NORTHERN MARIANA ISLANDS				
Northern Islands Municipality	9501			
Rota Municipality	9501			
Saipan Municipality	9501	9502	9503	9504
	9505.01	9505.02	9506.01	9506.02
	9507	9508	9509	9510
	9511	9512	9513.01	9513.02
	9514	9515		
Tinian Municipality	9501			
AMERICAN SAMOA				
Eastern District	9501	9502	9503	9504
	9505	9506	9507	9508
	9509			
Manu'a District	9517	9518		
Rose Island	9519			
Swains Island	9520			
Western District	9510	9511	9512.01	9512.02
	9512.03	9513	9515	9516
GUAM				
Guam	9501	9502	9503	9504
	9505	9506	9507	9508
	9509	9510	9511	9512
	9513	9514	9515	9516
	9517	9518	9519	9520
	9521	9522	9523	9524
	9525	9526	9527	9528
	9529	9530	9531	9532
	9533	9534	9535	9536
	9537	9538	9539	9540
	9541	9542	9543	9544
	9545	9546	9547	9548
	9549	9550	9551	9552
	9553	9554	9555	9556

SECTION 4. EFFECT ON OTHER REVENUE PROCEDURES

This revenue procedure supplements Rev. Proc. 2003-49 by providing a list of qualified census tracts for the Northern Mariana Islands, American Samoa, and Guam.

SECTION 5. SCOPE

An issuer may rely on the list of qualified census tracts set forth in this revenue procedure with respect to a commitment to provide financing, if that commitment was made during the period specified in this section, or the if purchase of the residence was made during the period specified in this section. The period begins on November 10, 2003, the date of publication of this revenue procedure in the Internal Revenue Bulletin, and ends on the date as of which the list of qualified census tracts is rendered obsolete by a new revenue procedure.

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective on November 10, 2003, the date of publication of this revenue procedure in the Internal Revenue Bulletin, and ends on the date as of which the list of qualified census tracts is rendered obsolete by a new revenue procedure.

SECTION 7. DRAFTING INFORMATION

The principal authors of this revenue procedure are Laura W. Lederman and Timothy L. Jones of the Office of Associate Chief Counsel (Tax Exempt and Government Entities). For further information regarding this revenue procedure, contact Ms. Lederman on (202) 622-3980 (not a toll free call).